GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA

UNSTARRED QUESTION NO:719
ANSWERED ON:21.02.2003
IMPORT OF VANASPATI
BHAN SINGH BHAURA

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether a large number of Vanaspati producing units have been closed down as a result of import of cheap vanaspati from neighbouring Nepal;

(b) if so, whether these imports are a result of World Trade Organisation (WTO) agreement;

(c) if so, the steps taken to save the country`s vanaspati units;

(d) the number of workers affected due to closures in various units, State-wise; and

(e) the welfare measure taken for these workers?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (SHRI SUBHASH MAHARIA)

(a)to(e): The closure of vanaspati producing units was on account of various factors, such as creation of production capacity not commensurate with availability of raw materials, obsolete technology, poor economics of scale, shift in consumer preference towards soft oils, competition from cheaper imports from Nepal under Indo-Nepal Treaty of Trade, etc. No precise figures/information about the number of workers associated with such closed vanaspati producing units, affected exclusively due to import of cheap vanaspati from Nepal and the welfare measures taken for those workers are available.

Trade between India and Nepal is governed by the Indo-Nepal Treaty of Trade which had allowed duty free entry to the Nepalese products into the Indian market without any value addition.

On the basis of certificate of origin issued by His Majesty`s Government of Nepal (HMGN) after December, 1996 it had resulted in excessive inflow of certain commodities manufactured in Nepal including vegetable oils adversely affecting the Indian domestic industry. Accordingly, on March 2, 2002 Indo-Nepal Treaty of Trade was reviewed and modified incorporating the following major revisions to address the concerns of Indian Industry:-

(i) Value addition norm has been reintroduced under which a maximum of 75% of third country inputs have been allowed for one year from 6.3.2002 and a maximum of 70% of third country inputs thereafter.

(ii) Third country inputs have to be different than the finished products manufactured in Nepal at four digit H.S.Code.

(iii) Nepal is to provide data to India on calculations for grant of Certificate of Origin. TheRevised Treaty has provisions for review of Certificate of Origin by India in case of doubt.

(iv) Safegaurd clause introduced when Nepalese imports cause injury or threaten to cause injuryto Indian Industries. Under this clause, India can withdraw the preferential facility to Nepal if consultation do not resolve the problem.

(v) Annual Tariff Rate Quota (TRQ) has been fixed for duty free imports of certain items includingvegetable fats (Vanaspati) for which the quota is 1,00,000 MTs per year. Imports beyond this quota are permitted under normal MFN rates of duty. Vegetable oil imports upto the TRQ limit of 1 lakh MTs have been allowed through Central Warehousing Corporation (CWC) the Indian canalizing agency.